

Message Text

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PAGE 01 STATE 028047
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INFO OCT-01 EUR-12 ISO-00 EB-08 /021 R

TX-387

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APPROVED BY EB/IFD/OMA:JABWINDER
TREAS:OS:HDROSENBLUM
EB/IFD/OMA:TAFORBORD

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-----010330 030434Z /66

R 021734Z PEB 78
FM SECSTATE WASHDC
TO AMEMBASSY LONDON

LIMITED OFFICIAL USE STATE 028047

E.O. 11652:N/A

TAGS:EFIN

SUBJECT: NEW IRS RULINGS ON TAX CREDITS FOR U.S. COMPANIES
OPERATING IN CERTAIN COUNTRIES

REF: LONDON 00863

1. THE JANUARY 16, 1978 IRS RULING DENIES THE FOREIGN
TAX CREDIT IN THE CASE OF TAX SYSTEMS USING POSTED PRICES.
THE RULING SPECIFICALLY INVOLVES SAUDI ARABIA AND LIBYA
BUT WOULD APPLY IN ALL COUNTRIES USING ARTIFICIAL PRICES.
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PAGE 02 STATE 028047

IT IS DIFFICULT TO SEE WHAT IMPACT IF ANY THE RULING WOULD
HAVE WITH REGARD TO NORTH SEA OPERATIONS AND PETROLEUM
REVENUE TAX.

2. IRS COMMISSIONER KURTZ TESTIFIED IN JULY 1977 THAT
UNDER U.S. LAW A FOREIGN TAX CREDIT WOULD PROBABLY BE
DENIED FOR THE PRT. HOWEVER, THE PROPOSED US-UK TAX TREATY
SPECIFICALLY MAKES THE PRT A CREDITABLE TAX. THE JANUARY

16, 1978 RULING WOULD NOT OVERRIDE THE PRT PROVISION IN
THE PROPOSED US-UK TREATY. THE US WAS ADVISED BY THE UK

IN ITS TAX TREATY NEGOTIATIONS, HOWEVER, THAT THE UK USES
ARM'S LENGTH PRICES IN DETERMINING TAX LIABILITY UNDER
THE PRT. IF THE UK AT SOME POINT DID NOT USE ARM'S-
LENGTH PRICES OR OTHERWISE ALTERED THE PRT SUFFICIENTLY
SO THAT THE TAX TREATY WOULD NOT APPLY, THEN, AS
COMMISSIONER KURTZ STATED, THE PRT WOULD PROBABLY NOT
BE CREDITABLE. VANCE

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, FOREIGN INVESTMENTS, TAXES
Control Number: n/a
Copy: <CONCATENATED>
Draft Date: 02 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE028047
Document Source: CORE
Document Unique ID: 00
Drafter: OS:SPHANNES:LG
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Expiration:
Film Number: D780051-0212
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t197802111/aaaafmwq.tel
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Litigation Code IDs:
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 LONDON 863
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3457007
Secure: OPEN
Status: <DBA CORRECTED> gwr 970825
Subject: NEW IRS RULINGS ON TAX CREDITS FOR U.S. COMPANIES OPERATING IN CERTAIN COUNTRIES
TAGS: EFIN, US
To: LONDON
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6a4b9cce-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014